

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 480 - HB 617

April 3, 2019

SUMMARY OF BILL: Requires certain governmental entities to utilize public bidding when purchasing certain insurance coverage.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Exceeds \$200,000*

Other Fiscal Impact – A precise impact to local government expenditures associated with payment of insurance premiums cannot reasonably be determined.

Assumptions:

- Tennessee Code Annotated § 29-20-401 and § 29-20-407 provide:
 - Municipalities, counties, utility districts, school districts, certain nonprofit volunteer fire departments, human resource agencies, development districts, and other political subdivisions may pool their financial and administrative resources for risk management, insurance, reinsurance, self-insurance, or any combination thereof for any and all areas of liability or insurability.
 - Such liability and insurance coverage includes, but is not limited to, government tort liability coverage, general and professional liabilities, workers' compensation, unemployment compensation, and motor vehicle coverage.
 - Insurance purchased through such an insurance pool does not require public bidding.
- The proposed legislation would require all insurance and liability which could be purchased through an insurance pool to be purchased through public bidding.
- It is assumed that such government entities will have to utilize public bidding for each type of liability coverage separately.
- Several statutes, Tenn. Code Ann. § 5-14-108, § 5-14-204, § 6-56-304, and § 49-2-203(a)(3), govern competitive public bidding conducted by local governments; most of which require the local government to publish notice of the ability to bid in a newspaper of general circulation.
- Any local government entity utilizing insurance coverage through an insurance pool and operating under a purchasing law which requires public notice of bids will experience an increase in expenditures associated with such public notice requirements.

- Based on responses to the 2017 Local Government Survey conducted by the Fiscal Review Committee staff, participating local government officials reported the average cost for publishing legal notices is \$113 per notice.
- While a precise number of local governments who will now be required to publicly bid for insurance coverage is unknown, the mandatory recurring increase in local expenditures for providing public notice is estimated to exceed \$200,000 statewide annually.
- Due to multiple unknown factors such as the number of local government entities which will receive bids for such insurance coverage at a cost lower than that provided by an insurance pool, the extent of any decrease in local expenditures associated with lowered premiums, the extent of coverage which will be provided to the local government entity, and if such coverage provided is equal to that provided by the insurance pool, a precise impact to local government expenditures associated with payment of premiums cannot reasonably be determined.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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